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Message Text

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11
ACTION EA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04

TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 /060 W
---------- 005486
R 100946Z JUL 75
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 1493
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY STOCKHOLM
USMISSION EC BRUSSELS

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E.O. 11652: N/A
TAGS: ETRD, EEC, JA
SUBJ: JAPANESE STEEL EXPORTS TO EC

REF: A. EC BRUSSELS 5377 B. TOKYO 8669 C. EC BRUSSELS 6025

SUMMARY: ON INFORMAL BASIS JAMANESE STEEL INDUSTRY HAS REVIVED VOLUNTARY RESTRAINTS ON STEEL EXPORTS TO EC. CY 1975 CEILING SET AT 1.2 MILLION METRIC TONS (MT). END SUMMARY.

1. MITI OFFICIAL INFORMED EMBOFF THAT AT JUNE 30 MEETING WITH EXECUTIVES OF THE EIGHT LARGEST STEEL COMPANIES MITI REPS. RELATED SUBSTANCE OF GOJ-EC COMMISSION STEEL CONSULTATIONS (REPORTED REF. B), INCLUDING JAPANESE SIDE'S PROMISE TO OBSERVE PRINCIPLES OF ORDERLY MARKETING
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IN STEEL EXPORTS TO EC. HE DENIED THAT MITI HAD SET

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SPECIFIC GUIDELINES OR HAD INDICATED, AS PRESS REPORTED,
THAT IT CONSIDERED 1.2 MILLION MT LIMIT ON CY 1975
STEEL EXPORTS TO EC DESIRABLE.

2. INTERNATIONAL DEPT. REPS. OF NIPPON AND KAWASAKI
STEEL CONFIRMED MITI VERSION OF JUNE 30 MEETING BUT
ADDED THAT 1.2. MILLION MT IS IN FACT LIMIT JAPANESE
STEEL INDUSTRY HAS SET FOR CY 1975 EXPORTS TO EC.
(JANUARY-APRIL 1975 EXPORTS WERE ALREADY 700,000 MT.)
ACCORDING NIPPON STEEL OFFICIAL, 1.2 MILLION MT FIGURE
WAS SUGGESTED BY EC STEEL INDUSTRY (PRIMARILY THE
FRENCH) AS APPROPRIATE FOR "MAINTAINING THE SPIRIT OF
VOLUNTARY RESTRAINTS" LATE IN 1974 WHEN DECISION WAS
MADE TO END FORMAL RESTRAINT PROGRAM. REPS. OF BOTH
STEEL COMPANIES SAID LARGE FIRMS HAVE AGREED TO
PROROTE THIS AMOUNT ON BASIS OF 1974 EXPORTS TO EC
AND HAVE SET FLOOR PRICES FOR EXPORTS TO EC. THE
FIRMS PLAN PERIODIC INFORMAL MEETINGS UNDER AEGIS OF
JAPAN IRON AND STEEL INSTITUTE AND JAPAN IRON AND
STEEL EXPORTERS ASSOCIATION TO REVIEW STATISTICS AND
FORECASTS AND TO POLICE AGREEMENT. MAJOR PROBLEMS
WHICH MAY ARISE, ACCORDING TO COMPANY REPS., ARE REFUSAL
OF SMALL FIRSM, WHICH HISTORICALLY ACCOUNT FOR 15-20
PERCENT OF EXPORTS TO EC, TO ADHERE TO INFORMAL RESTRAINT
AGREEMENT (BOTH QUANTITY AND PRICES) AND POSSIBILITY
OF INCURRING WRATH OF JAPAN'S FAIR TRADE COMMISSION
WHICH IS TAKING AN AGGRESSIVE STANCE TOWARD CARTEL
ACTIONS BY THE STEEL INDUSTRY (HOWEVER, PRIMARILY IN
RELATIONS TO THE SETTING OF DOMESTIC PRICES.) COMPANY
OFFIIALS STATED THAT LARGE FIRMS CONSIDER PRESENT
SITUATION A SERIOUS TEST OF GOOD FAITH AND WILL REDUCE
THEIR OWN SHARES TO ACCOMMODATE OVER-QUOTA EXPORTS BY
SMALL FIRMS IF THEY CANNOT BE PERSUADED TO COOPERATE.
KAWASAKI OFFICIAL ADDED THAT HE BELIEVES FORMAL EXPORT
RESTRAINT AGREEMENTS REFLECTED NEEDS OF JAPANESE STEEL
INDUSTRY DURING PERIOD IN WHICH RAW MATERIAL PRICES WERE
MODERATE AND FIRMS WERE EXPANDING CAPACITY RAPIDLY AND
COMPETITIVELY AND REDUCING COSTS THROUGH AUTOMATION
AND ECONOMICES OF SCALE BUT THAT WITH THESE CONDITIONS
NO LONGER PREVAILING AN INFORMAL EXPORT RESTRAINT
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AGREEMENT HAS GOOD CHANCE OF SUCCESS.
3. MITI AND COMPANY REPS. ALL MENTIONED THAT JAPANESE
STEEL FIRMS HAVE CUT BACK PRODUCTION 15-20 PERCENT IN
RECENT WEEKS, A REDUCTION EQUIVALENT TO THAT AGREED
UPON BY EC (REF A). THEY ADDED THAT THEY BELIEVE
JAPAN MAY WELL HAVE BEEN MORE OF AN EXCUSE THAN A
CAUSE IN THE COLLAPSE OF THE EC FLOOR PRICE, PARTICUL-
LARLY IN VIEW OF THE ITALIANS' HIGHLY AGRESSIVE

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MARKETING OVER THE PREVIOUS FEW MONTHS.
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